MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2021/2022

DEC5024 - MACROECONOMICS

(All Sections/Groups)

12 AUGUST 2022
09.00 AM – 11.00 AM
(2 hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 6 pages excluding cover page.

2. Attempt **ALL** questions in **Section A** and **B**. All questions carry equal marks and the distribution of the marks for each question is given.

3. Shade your answers for **Section A** on the OMR form and write your answers for **Section B** on the Answer Booklet provided.

SECTION A: MULTIPLE CHOICE QUESTIONS.

Instruction: Answer ALL questions from this section and shade your answers on the OMR form provided.

1) Which of the following does **NOT** describe a function of money?
   A. Unit of account
   B. Means of lending
   C. Medium of exchange
   D. Store of value

2) The most direct way in which money replaces barter is through its use as a _____
   A. medium of exchange.
   B. recording device.
   C. store of value.
   D. unit of account.

3) Which of the following applies to the use of money as a unit of account?
   I. A unit of account is an agreed measure for stating the prices of goods and services.
   II. Using money as a unit of account creates a simplified pricing system.
   III. Economies choose many goods as units of account.

   A. I only
   B. II only
   C. I and III
   D. I and II

4) During periods of inflation, which function of money is most severely affected?
   A. Medium of exchange
   B. Unit of account
   C. Means of payment
   D. Store of value

5) M1 is a measure of _____
   A. money and includes both currency and checking deposits.
   B. liquidity and in which the most liquid asset is money.
   C. money and includes both savings deposits and currency.
   D. money and includes both savings deposits and money market mutual funds.

6) Which of the following is **NOT** included in M1?
   A. Currency
   B. Checking deposits
   C. Mutual fund deposits
   D. Traveler's checks

Continued...

7) In an economy, there is RM200 million in currency held outside banks, RM100 million in traveler's checks, RM250 million in currency held inside the banks, RM300 million in checking deposits, and RM600 million in savings deposits. The value of M1 is _____.

A. RM750 million
B. RM1,200 million
C. RM1,150 million
D. RM600 million

8) The definition of M2 includes:

I. M1.
II. money market mutual funds.
III. currency held outside of banks.

A. I and II only
B. I and III only
C. II and III only
D. I, II, and III

9) Based on the data in the table below, what is the value of M1?

Component	Amount (billions of Ringgit Malaysia)
Money market mutual fund deposits	4,400
Time deposits	1,237
Savings deposits	1,589
Checking deposits	752
Currency	609

A. RM2,950 billion
B. RM1,361 billion
C. RM752 billion
D. RM609 billion

10) A depository institution is a firm that takes deposits from _____ and makes loans to _____.

A. households and firms; other households and firms
B. firms only; households only
C. households only; firms only
D. firms only; other firms only

Continued...

11) _____ is controlling the quantity of money and interest rates to influence aggregate economic activity.
A. Foreign policy.
B. Monetary policy.
C. Fiscal policy.
D. Bank antitrust policy.

12) Which of the following refers to reserve requirements?
A. Minimum percentages of deposits that banks must hold as reserves.
B. Minimum amount of an owner's financial resources that must be placed in a depository institution.
C. Rules covering the types of deposits that banks may offer.
D. Rules covering the types of assets that banks may purchase.

13) The fraction of deposits that banks are required to keep is known as the _____
A. discount rate.
B. required reserve ratio.
C. deposit multiplier.
D. money multiplier.

14) The _____ rate is the interest rate at which the Bank Negara Malaysia lends _____ to depository institutions.
A. discount rate; reserves
B. discount rate; gold
C. Bank Negara Malaysia funds rate; deposits
D. Bank Negara Malaysia funds rate; reserves

15) A bank with RM100 million in deposits has RM15 million of cash in the bank, RM10 million in deposits with the Bank Negara Malaysia, and RM15 million in government securities in its vault. Its total reserves equal _____
A. RM10 million.
B. RM15 million.
C. RM25 million.
D. RM40 million.

16) A bank's required reserves are calculated by multiplying _____.
A. its deposits by the required reserve ratio
B. the sum of its deposits and cash in its vault by the required reserve ratio
C. cash in its vault by the required reserve ratio
D. the gold in its vault by the required reserve ratio

Continued...

17) The difference between actual reserves and required reserves is _____
   A. net worth.
   B. excess reserves.
   C. illegal reserves.
   D. desired reserves.

18) The commercial banks on Sunny Island have checking deposits of RM4 million, reserves of RM600,000, and loans of RM2.4 million. The desired reserve ratio is 10 percent. The banks have _____ of desired reserves and _____ of excess reserves.
   A. RM600,000; RM0
   B. RM400,000; RM200,000
   C. RM400,000; RM600,000
   D. RM600,000; RM200,000

For questions 19 and 20 refer to table below.

Assets		Liabilities	
Reserves	RM400	Deposits	RM1,200
Loans	RM800		
Total	RM1,200	Total	RM1,200

19) In the balance sheet for the BB&W bank above, the entries are in millions of Ringgit Malaysia (MYR). If the desired reserve ratio is 10 percent, BB&W Bank has desired reserves of _____
   A. RM360 million.
   B. RM120 million.
   C. RM280 million.
   D. RM0.

20) In the balance sheet for the BB&W bank above, if the desired reserve ratio equals 10 percent, BB&W Bank has excess reserves of _____
   A. RM280 million.
   B. RM200 million.
   C. RM360 million.
   D. RM0.

(20 marks)

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SECTION B: STRUCTURED QUESTIONS.

Instruction: Answers for this section should be written in the answer booklet provided.

QUESTION 1

(a) Table 1 below the information for aggregate output and net taxes is RM30 billion. Assumed the net taxes to be constant and not vary with income. Given the consumption function is C= 100 + 0.5 Y_d, based on the information provided, complete the Table 1 below.

Aggregate Output (RM billions)	Disposable Income (RM billions)	Consumption Expenditure (RM billions)
200		
400		
600		
800		
1000		
1200		

Table 1

(18 marks)

(b) List out **TWO (2)** types of fiscal policy.

(2 marks)

QUESTION 2

(a) Explain briefly the **THREE (3)** categories of unemployment.

(6 marks)

(b) Table 2 below shows the statistical data of population 16 years old or above, labor force and unemployed workers (in millions) for the country from 2018 – 2021. Calculate the labor force participation rate and number of employed workers for given years. (Indicate your working calculation).

Year	Population 16 years old or above (Millions)	Labor force (Millions)	Unemployed (Millions)
2018	7000.2	6685.0	315.2
2019	7893.1	7645.0	248.1
2020	9151.5	8837.8	313.7
2021	9556.1	9269.2	286.9

Table 2

(12 marks)

Continued...

(c) Based on data provided in table 2, calculate the unemployment rate for year 2021.

(2 marks)

QUESTION 3

(a) Briefly explain any **FOUR (4)** sources of economic growth.

(8 marks)

(b) Given the production function is $Y = 2 \times K^{2/3} L^{1/3}$. Table 3 below shows the information of quantity of labor and capital used in the output production quarterly in year 2021. Calculate the total output and labor productivity for every quarter. (Indicate your working calculation).

Year (2021)	Quantity of Labor (L)	Quantity of Capital (K)
First Quarter	500	200
Second Quarter	550	200
Third Quarter	650	200
Fourth Quarter	750	200

Table 3

(12 marks)

QUESTION 4

(a) Explain briefly the **FOUR (4)** factors that influence the demand for currency.

(8 marks)

(b) Based on the foreign exchange market equilibrium, explain the condition of above and below the equilibrium point.

(12 marks)

End of Paper